

USAID/Paraguay
ANNUAL REPORT FY 2003

3/13/2003

Please Note:

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Portions released on or after July 1, 2003

A. Program Level Narrative

Program Performance Summary:

Country Setting: The past 13 years since the fall of the dictatorship have seen the adoption of a new constitution, the establishment of freedom of expression, the development of a transparent and free electoral process, the improvement of the judicial system to permit public scrutiny of legal cases, and the defense of democratic institutions in the face of severe challenges. These challenges include several coup attempts, the assassination of a Vice President, the resignation of one President, and impeachment proceedings against the current President. Serious developmental problems persist despite some efforts to reduce poverty, advance economic and social reforms, decrease corruption, address environmental degradation, and provide effective basic services to Paraguay's citizens.

During 2002, the country continued its sixth consecutive year in which per capita income has declined and poverty has increased, especially in rural areas. According to the Central Bank of Paraguay, per capita income is now one-half of what it was in 1996. In 2002, inflation climbed to almost 15% and unemployment was above 20%. The value of the Paraguayan currency has depreciated approximately 100% against the U.S. dollar over the past two years. Citizen perceptions of corruption in Paraguay are the highest in Latin America. Very high fertility rates contribute to poverty, and better reproductive health services are needed. Thirty percent of the population does not have regular access to health services and those services that are available are often of a very low quality. Many citizens lack access to other basic services, such as, education, potable water, sewerage systems, solid waste collection, and basic infrastructure.

U.S. Interests and Goals: The primary U.S. goal in Paraguay is to develop a self-sustaining democracy. Combating terrorism, reducing transnational crime, and building a growing, diversified economy that strengthens economic well-being and democracy are also very important to the U.S. Government. The consolidation of democracy will be achieved by stressing the constitutional order, by developing effective government institutions, and by promoting decentralization.

The strategy is to strengthen decentralized power and authority in order to improve government accountability and accessibility to citizens and to develop a pluralistic civil society at the grassroots level as the basis for democratic governance. USAID has taken the lead to help local governments plan, generate additional resources, and increase transparency and citizen participation, while promoting citizen oversight of public institutions. The beneficiaries of this program are the people of Paraguay who are starting to receive the basic services that are demanded from a democratic form of government.

Donor Relations: USAID/Paraguay's unique contribution is in having other donors build upon its pioneering activities, for example, strengthening civil society, judicial reform, and decentralization. Germany and Japan now have programs to strengthen local NGOs and work through NGOs to develop programs with local communities and adolescents. The United Nations Development Program (UNDP), the Inter-American Development Bank (IDB), and Germany are continuing judicial reforms and decentralization activities initiated by USAID. These activities are carefully coordinated to achieve maximum impact.

The Global Environmental Facility (GEF) has continued environmental activities with protected areas and ecoregions started by USAID. USAID currently selects areas in which to focus in close cooperation with the GEF project, which mobilizes considerably more funding than USAID can muster. USAID has taken the lead in health decentralization, and reproductive health activities are closely coordinated with the World Bank, the IDB, the Pan-American Health Organization (PAHO), the United Nations Fund for Population Activities (UNFPA), the United Nations Children's Fund (UNICEF), and Japan. Germany, the European Union (UE), and UNICEF have adolescent projects that complement USAID programs with adolescents on reproductive health issues. The UE, Japan, and UNDP have just initiated a forum on competitiveness that will hopefully expand the impact of the Mission's new Economic Strategic Objective.

Challenges: The state of Paraguay's democratic institutions, civil society, and political parties indicates that substantial time and effort are still required to complete the transition to a fully functioning democracy. The Central Government is in dire need of reform and modernization. It is riddled with corruption and patronage, which have caused enormous inefficiencies in public service delivery. Popularly elected local governments are still inexperienced and lack adequate financial and human resources. Civil society organizations are emerging, and citizens in general are still learning their roles in a democratic system.

Unfortunately, environmental issues have not been a priority for the GOP. Despite having signed and ratified almost all international agreements and treaties related to environmental protection, Paraguay still lacks an integrated national policy for the environment. This is reflected in unclear and contradictory national legislation and the limited capacity of governmental organizations dealing with environmental issues.

Reproductive health care is important in Paraguay because of a desire to solve two acute problems: 1) the unacceptable levels of maternal and infant mortality, and 2) excessively high levels of fertility. Effective reproductive health care delivery at the community level can be strengthened by channeling services through local democratic institutions. This helps to improve the quality, timeliness, and responsiveness of the health services provided.

The Mission continues to strengthen an active civil society in order to put pressure on the current political system to change and become more responsive to the needs of citizens. At the same time the Mission is assisting local governments to meet demands for basic public service delivery. The most progressive and positive system changes are taking place at the local and regional level and deserve continued support. Efforts with local governments are being expanded and deepened with an emphasis on their role of ensuring the provision of basic services, especially to marginalized groups. Anti-corruption initiatives have been introduced in the context of each program area. The Mission has also introduced major policy changes and is instituting good governance practices that are receptive to civil society's needs.

Key Achievements:

Democracy. Cooperation between different tiers of government and local level organizations has contributed to sharing responsibilities in ensuring service delivery. In one department, eight municipalities and the departmental government joined efforts to implement a program of landfills. Complex issues that crossed governmental boundaries or that each local government was not able to solve by itself are being addressed through this process. Successes of this type increase citizen confidence in local government and democracy. This effort shows how municipal and departmental administrations can work together to solve larger problems on a regional basis. The Mission plans to replicate this process in other technical areas and in other departments.

Increasing municipal revenues is essential to the ability of municipalities to better respond to citizen needs and often paves the way for improved services, greater citizen participation, and improved oversight. A newly implemented revenue enhancement project has increased revenue collection by an average of 59% in five selected municipalities. Increases in revenue have been used to implement new or improve existing services. In a time of economic downturn and widespread corruption in the national government, local governments are increasing their revenues, improving services to their constituents, promoting internal controls, and allowing citizen groups to monitor their efforts. At the local level, Paraguayans are able to see that democracy works and are demanding decentralization as a means to further improve local services.

As a result of technical assistance on investigative reporting, the media has been better able to expose public sector corruption and inform citizens. The number of articles on corruption in the four national newspapers has increased by 226% since this effort was initiated in 2001. Civic oversight has increased with citizens denouncing corruption cases. The press has been following up on these cases and is tracking them with the Prosecutor's Office and through the courts. Unfortunately, these activities have increased the public's perception of corruption, but eventually corruption should be reduced through public exposure of crimes.

As a result of technical assistance directed at strengthening local government associations, five nationwide local government associations established a National Federation of Local Government Associations. This Federation, comprised of both municipal and departmental governments throughout the country, is the first of its kind in Paraguay. It includes an important network of women involved in municipal government. The Federation is coordinating efforts among its members and has been provided with the power to act together as a single voice for these associations. This has increased the advocacy capacity of local governments to advance decentralization and other reform issues.

The Global Development Alliance recently awarded a grant to the International Youth Foundation through a program to find jobs for young people. Paraguay is part of the program and approximately \$470,000 will be spent to prepare 500 young people for positions in the field of information technology through internships and training. This activity complements Mission activities to involve adolescents in activities with private organizations and companies.

Environment. The Mission is focusing the bulk of its resources toward ecoregional conservation initiatives. Ecoregions are being protected through the development of a system consisting of core areas in which biodiversity is maintained through limited use, biological corridors linking the core areas that allow the movement of wildlife and sufficient genetic interchange to maintain viable populations, and zoned sustainable use areas that function as buffers and connections that surround the core areas and biological corridors. During the past year, the Mission has achieved significant advances in protecting important priority areas for conservation purposes.

A new Agrarian Code is now being implemented. It explicitly states that properties legally declared protected areas will not be subject to expropriation. This is extremely important in preventing deforestation because it allows forested land to be maintained. In the past, landowners would cut their forests rather than risk expropriation.

Another important change was the establishment of two Resource Management Areas in lands that were previously designated as national parks. Both are in core areas of the interior Atlantic rain forest. Paraguay is replete with national parks that only exist on paper because the land is privately owned and the government never had the funds to acquire the land. The Resource Management Areas concept allows the land to remain in private hands, but its use is regulated by zoning specifications. As a result of this change, private landowners are moving to protect their forests in these two areas.

Work with local governments has uncovered another tool for conserving land. A provision of the Municipal Code allows municipalities to set aside public and private land for conservation purposes. This provides a strong legal rationale for new forms of conservation, such as conservation easements (19 properties consisting of 21,630 hectares have been identified for protection). Other forms of conserving land, such as nature swaps and conservation leases, are also being developed as part the Mission's overall ecoregional focus.

Reproductive Health. Many people in Paraguay are not receiving any type of health service, especially in rural areas, and reproductive health issues are not being adequately addressed. The GOP is facing budget reductions, cannot afford to pay for medicines and supplies at many public health facilities, and is generally providing a very low quality of treatment. Health decentralization, which allows communities to receive the services they want and can afford, is one way of addressing these problems.

During 2002 the Minister of Health signed a decree in which one municipality in southern Paraguay is permitted to retain all of the revenues it generates as a test case of the health decentralization. The Mission has worked with this community to develop a health plan, a functioning health council, a community census, a basic package of health services, and community participation. The health center, a Ministry of Health facility, is financed by municipal revenues, charging for services, and utilizing a health insurance system. Costs are kept low through community health prevention efforts, often using community volunteers.

Results to date at the health center have been very satisfactory. Record keeping on patients has been improved considerably, financial records are carefully scrutinized by the community, participation and morale are extremely high, new doctors have been hired, health education has been expanded, the pharmacy and the laboratory are functioning well, and 850 consultations per month are being held in this community of 6000 people. Various aspects of this model are being replicated in other municipalities with encouraging results. Other donors have shown an interest in learning how the overall program functions. Hopefully, this model can be adapted to fit a wide variety of situations of health decentralization throughout the country.

Conflict Prevention: Paraguay has been experiencing a difficult transition to democracy. The Mission does not foresee any further significant government destabilization at a national level that would disrupt the implementation of this Strategic Plan. Nevertheless the President has been impeached and could be removed from office. The GOP is struggling to meet its international obligations and may default on its external debt in 2003. Expectations are that the current government will continue until the end of its term in August 2003. General elections are scheduled to take place on April 27, 2003. The Mission's program approaches outlined above are viable in this period of political instability and transition.

Trade: Activities will begin on a new Economic Growth Strategic Objective during FY 2003. Funds will be used to develop business services that will provide marketing assistance for agricultural commodities and other products. In addition, policies related to agricultural and trade policy will be developed to encourage more efficient business practices relating to production, processing, marketing, and exporting.

Environmental Compliance: The Mission has reviewed all Strategic Objectives and has determined that all current activities are in compliance with approved Initial Environmental Examinations (IEEs), Environmental Assessments, and Categorical Exclusions and all required mitigations and conditions are being followed.

The new Strategic Objective, Increased Incomes for the Poor in Selected Economic Regions, is scheduled to begin in FY 2003. A Categorical Exclusion was issued for the IR 7.2, Financial Services Increased, and 7.3, Business Environment for Micro and Small Business Improved, because they involve education, analyses, matching grants and programs intended to develop the capacity of recipient countries that will not impact upon the environment.

A Negative Determination was issued for the activities under IR 7.1 involving the identification of specific products and markets. This was done with the condition that a study be conducted to determine environmental criteria to identify and select specific businesses, products, and markets in the region where the IR 7.1 will work to ensure that they will not result in adverse environmental impacts. This study should be completed in conjunction with the first year work plan. The Mission Environment Officer will approve the terms of reference. A Negative Determination was issued for IR 7.1 components involving property titling, development of share cropping agreements, soil conservation and fertility improvement methodologies, establishment of quality standards for selected fresh vegetables, assistance to producer associations, and enhancement of market information for selected products.

Country Closeout & Graduation: N/A.

D. Results Framework

526-001 Improved Responsiveness and Accountability of Key Democratic Institutions

- IR 1.1 More efficient, transparent and participatory elections.
- IR 1.2 Participatory and better functioning sub-national governments.
- IR 1.3 Increased access to a strengthened judicial system.
- IR 1.4 Civil-military dialogue supportive of democracy increased.

Discussion: SO is no longer being implemented.

526-002 Improved Management of an Expanded Protected Areas System

- IR 2.1 New areas created with management plans implemented (discontinued).
- IR 2.2 Improved human capacity to manage and understand importance of protected areas.
- IR 2.3 Economic alternatives to deforestation developed in protected areas.

Discussion: SpO is no longer being implemented.

526-003 Increased Use of Voluntary Family Planning Services

- IR 3.1 Expanded access to family planning services.
- IR 3.2 Improved quality of family planning services in priority regions.
- IR 3.3 To have advanced towards the sustainability of family planning services.

Discussion: SpO is no longer being implemented.

526-004 Key Democratic Governance Practices Instituted

- IR 4.1 More effective and accountable local governments developed
- IR 4.2 Development of an active civil society encouraged
- IR 4.3 National democratic reform process expanded

Discussion:

526-005 Management of Globally Important Ecoregions Improved

- IR 5.1 Ecoregional management capacity of local NGOs strengthened
- IR 5.2 Policy, legal, and financial tools from improved ecoregional management developed

Discussion:

526-006 Use of Voluntary Reproductive Health Services Increased

- IR 6.1 Decentralized community based health care improved
- IR 6.2 Access to quality reproductive health services expanded

Discussion:

526-007 Increased Incomes for the Poor in Selected Economic Regions

- IR 7.1 Business development strategies implemented
- IR 7.2 Availability of financial services in target areas increased
- IR 7.3 Business environment for micro and small businesses improved

Discussion:

Selected Performance Measures - Paraguay

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Indicator (all data should pertain to FY or CY 02)	OU Response	Significant Result: Description of the significant result for a strategic objective	Data Quality Factors: Information relevant to the collection of this indicator data, e.g. "this data was not collected last year because it is only collected every five years."
Pillar I: Global Development Alliance			
Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?			
a. How many alliances did you implement in 2002? (list partners)			
b. How many alliances do you plan to implement in FY 2003?			
What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?			
Pillar II: Economic Growth, Agriculture and Trade			
USAID Objective 1: Critical, private markets expanded and strengthened			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Number of children enrolled in primary schools affected by USAID basic education programs (2002 actual)	Male	Female	Total
b. Number of children enrolled in primary schools affected by USAID basic education programs (2003 target)	Male	Female	Total
USAID Objective 5: World's environment protected by emphasizing policies and practices ensuring environmentally sound and efficient energy use, sustainable urbanization,			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Hectares under Approved Management Plans (2002 actual)			
b. Hectares under Approved Management Plans (2003 target)			
Pillar III: Global Health			
USAID Objective 1: Reducing the number of unintended pregnancies			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
526-006 Use of Voluntary Reproductive Health Services Increased	Yes		
Couple years of contraceptive protection (CYP) of 250,000 against the target of 200,000 for 2002.			National data obtained from the Ministry of Health, local NGOs, and the pharmaceutical association. Data is based upon the calendar year.

Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	%			
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USAID Objective 2: Reducing infant and child mortality

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
Were there any confirmed cases of wild-strain polio transmission in your country?				

USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of births attended by medically-trained personnel (DHS/RHS)	%			
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USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Total condom sales (2002 actual)				
b. Total condom sales (2003 target)				
National HIV Seroprevalence Rates reported annually (Source: National Sentinel Surveillance System)	%			
Number of sex partners in past year (Source: national survey/conducted every 3-5 years)per DHS or other survey)				
Median age at first sex among young men and women (age of sexual debut) ages 15-24 (Source: national survey/conducted every 3-5 years) per DHS or other survey)	Male	Female	Total	
Condom use with last non-regular partner (Source: national survey/conducted every 3-5 years)per DHS or other survey)	%			
Number of Clients provided services at STI clinics				
Number of STI clinics with USAID assistance				

Number of orphans and other vulnerable children receiving care/support				
Number of Orphans and Vulnerable Children programs with USAID assistance				
Number of community initiatives or community organizations receiving support to care for orphans and other vulnerable children				
Number of USAID-supported health facilities offering PMTCT services				
Number of women who attended PMTCT sites for a new pregnancy in the past 12 months				
Number of women with known HIV infection among those seen at PMTCT sites within the past year.				
Number of HIV-positive women attending antenatal clinics receiving a complete course of ARV therapy to prevent MTCT (UNGASS National Programme & Behavior Indicator #4)				
Number of individuals reached by community and home-based care programs in the past 12 months				
Number of USAID-assisted community and home-based care programs				
Number of clients seen at Voluntary Counseling and Testing (VCT) centers				
Number of VCT centers with USAID assistance				
Number of HIV-infected persons receiving Anti-Retroviral (ARV) treatment				
Number of USAID-assisted ARV treatment program				
a. Number of individuals treated in STI programs (2002 actual)	Male	Female	Total	
b. Number of individuals treated in STI programs (2003 target)	Male	Female	Total	
a. Is your operating unit supporting an MTCT program?				
b. Will your operating unit start an MTCT program in 2003?				
a. Number of individuals reached by community and home based care programs (2002 actual)	Male	Female	Total	

b. Number of individuals reached by community and home based care programs (2003 target)	Male	Female	Total	
a. Number of orphans and vulnerable children reached (2002 actual)	Male	Female	Total	
b. Number of orphans and vulnerable children reached (2003 target)	Male	Female	Total	
a. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by antiretroviral (ARV) treatment programs (2003 target)	Male	Female	Total	
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance				
Did your program achieve a significant result in the past year that is likely to contribute to this objective?				
a. Number of insecticide impregnated bed-nets sold (Malaria) (2002 actual)				
b. Number of insecticide impregnated bed-nets sold (Malaria) (2003 target)				
a. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 actual)	%			
b. Proportion of districts implementing the DOTS Tuberculosis strategy (2003 target)	%			
Pillar III: Democracy, Conflict and Humanitarian Assistance				
USAID Objective 1: Strengthen the rule of law and respect for human rights				
Did your program achieve a significant result in the past year that is likely to contribute to this objective?				
USAID Objective 2: Encourage credible and competitive political processes				
Did your program achieve a significant result in the past year that is likely to contribute to this objective?				
526-004 Key Democratic Governance Practices Instituted	Yes			Supported public debate of national reforms by civil society organizations and the formation of the National Federation of Local Governments to act as a counterweight to the Central Government. This contributed to the passage of Water & Sanitation regulations, passage & implementation of Health Decree to decentralize revenue collection, and passage of an Arbitration and Mediation Law. These three major laws were passed during the calendar year of 2002.
USAID Objective 3: Promote the development of politically active civil society				
Did your program achieve a significant result in the past year that is likely to contribute to this objective?				
526-004 Key Democratic Governance Practices Instituted	Yes			As a result of technical assistance on investigative reporting, the media has been able to expose more public sector corruption. The number of articles on public corruption in the four national newspapers increased by 226% since 2001. Data analysis from the four major newspapers.
USAID Objective 4: Encourage more transparent and accountable government institutions				

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 5: Mitigate conflict

Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total	
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USAID Objective 6: Provide humanitarian relief
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Did your program achieve a significant result in the past year that is likely to contribute to this objective?				
Number of beneficiaries				
Crude mortality rates	%			
Child malnutrition rates	%			
Did you provide support to torture survivors this year, even as part of a larger effort?				
Number of beneficiaries (adults age 15 and over)	Male	Female	Total	
Number of beneficiaries (children under age 15)	Male	Female	Total	